



# Second quarter report 2003

Den norske Bank Group¹ (hereinafter called "the banking group") recorded pre-tax profits before losses of NOK 2 474 million in the first half of 2003, up from NOK 2 413 million in the year-earlier period. Profits for the period came to NOK 1 465 million, a NOK 180 million decline from the first half of 2002. Performance reflected improvement in other operating income and reduced operating expenses on a comparable basis, while losses were up due to weak developments in parts of the business community. There was a high level of losses in Nordlandsbanken.

Before goodwill amortisation, return on equity was 13.2 per cent, down from 14.8 per cent in the first half of 2002.

The banking group recorded pre-tax operating profits before losses of NOK 1 319 million in the April through June period, as against NOK 1 344 million in 2002. After taxes, profits came to NOK 882 million and NOK 748 million respectively. Before goodwill amortisation, return on equity was 15.4 and 13.3 per cent.

The banking group achieved a significant rise in operating income in the second quarter. There was particularly strong progress in DnB Markets, parallel to a sound trend for the other business areas. Net interest income, however, was under pressure due to the declining interest rate level, resulting in narrower deposit spreads and lower interest income on equity.

Reduced price levels for fish and problems in parts of the business community caused higher losses in the second quarter. A major part of the increase referred to Nordlandsbanken, which has been more heavily exposed to high-risk segments than the rest of the banking group. The banking group has intensified the monitoring of these commitments and dedicated further resources to this work. Though loan-loss trends require closer supervision and better action plans, there is a satisfactory underlying development in the credit portfolio. In view of the trend in loan losses in recent years, the loan-loss level seen in the second quarter is acceptable and within the estimated limits on which the banking group bases its credit activity.

In April, Den norske Bank purchased around 5.2 million Gjensidige NOR shares. The bank sold the shares in June and recorded gains of NOK 157 million.

The merger between DnB and Gjensidige NOR was approved at General Meetings in May. A merger between the two banks, Den norske Bank ASA and Gjensidige NOR Sparebank ASA, will be considered during the third quarter of 2003.

#### Income

Income totalled NOK 3 264 million in the second quarter of 2003, up NOK 20 million from the year-earlier period. The increase reflects high activity in financial markets and a positive trend in equity prices, which among other things led to higher income in DnB Markets.

Net interest income in the banking group totalled NOK 2 070 million in the second quarter of 2003, down NOK 109 million on the year-earlier figure. In the second quarter of 2002, however, interest paid on a previously non-performing commitment totalling NOK 141 million was taken to income. A narrower deposit spread combined with changes in the balance sheet structure, arising partly from the acquisition of new operations, had a negative effect on net interest income. A higher volume

<sup>1)</sup> Den norske Bank ASA is a subsidiary of DnB Holding ASA and part of the DnB Group. Den norske Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DnB Holding ASA, including Vital Forsikring and DnB Asset Management, are not part of the banking group.

of problem commitments and lower interest income on equity also brought down interest income. On the other hand, a higher lending spread and an overall rise in average lending and deposit volumes from the second quarter of 2002 had a positive impact on net interest income. The table below specifies changes in net interest income between the two quarters:

#### Changes in net interest income

	2nd quarter	2nd quarter			
Amounts in NOK million	2003	Change	2002		
Net interest income	2 070	(109)	2 179		
Of which:					
Lending and deposit volumes		203			
Lending and deposit spreads		76			
Exchange rate movements	(36)				
Problem commitments		(183)			
Equity		(90)			
Other		(79)			

Nordlandsbanken contributed NOK 116 million to the banking group's net interest income.

The banking group's combined interest rate spread declined by 0.03 percentage points from the second quarter of 2002. Still, income on the interest rate spread expanded by NOK 76 million, as the effect of the positive trend in the lending spread outweighed the impact of narrower deposit spreads. Low interest rates on Norwegian kroner have reduced the probability of further downward adjustments in interest rates on parts of the deposit base. At end-July 2003, the banking group had deposits of around NOK 25 billion earning interest of 1 per cent or less.

Net other operating income amounted to NOK 1 194 million in the second quarter of 2003, as against NOK 1 065 million in the year-earlier period. The positive stock market trend and a high level of activity in other financial market segments ensured a NOK 129 million increase in income. The acquisition of operations also helped boost income by a total of NOK 54 million compared with the year-earlier period. Developments in operating income from the second quarter of 2002 to the same period of 2003 are specified below:

#### Changes in net other operating income

	2nd quarter	rter 2nd quart		
Amounts in NOK million	2003	Change	2002	
Net other operating income	1 194	129	1 065	
Of which:				
Short-term shareholdings		165		
Other financial instruments		128		
Nordlandsbanken		54		
Dividends		32		
Money transfers		16		
Other		(39)		
Sale of DnB Investor and Li-Ship	to			
other group companies in 2002		(226)		

#### Operating expenses

Operating expenses totalled NOK 1 945 million in the second quarter of 2003, an increase of NOK 46 million from the second quarter of 2002. The acquisition of Nordlandsbanken pushed up operating expenses by close to NOK 118 million. Parallel to this, measures to restructure and streamline operations more than compensated for wage and price growth. Greater cost

efficiency and a rise in income, e.g. in DnB Markets, ensured an ordinary cost/income ratio, excluding goodwill amortisation, of 58.9 per cent in the second quarter of 2003, compared with 61.4 per cent in the year-earlier period.

Changes in ordinary expenses from the second quarter of 2002 are shown in the table below:

#### Changes in ordinary operating expenses

	2nd quarter 2nd quarte			
Amounts in NOK million	2003	Change	2002	
Total ordinary operating expenses	1 927	66	1 861	
Of which:				
Acquired operations				
Nordlandsbanken		92		
Goodwill amortisation		26		
Other				
Wage settlements and pensions		29		
Streamlining of operations		(53)		
Effects of integration		(11)		
e-activities and IT		(17)		

Staff totalled 6 312 full-time positions as at 30 June 2003, 96 less than at end-June 2002 and 98 less than at end-December 2002. The acquisition of operations in Nordlandsbanken provided a total of 386 additional full-time positions. Staff was brought down by around 90 full-time positions as a result of streamlining and coordination of operations.

Restructuring expenses, write-downs etc. totalled NOK 18 million in the second quarter of 2003, down from NOK 38 million in the year-earlier period.

# Loan-loss provisions and problem commitments

Net losses on loans and guarantees totalled NOK 560 million in the second quarter of 2003, compared with NOK 87 million in the corresponding period of 2002. New losses and loan-loss provisions amounted to NOK 649 million, while reversals on previous losses and loan-loss provisions totalled NOK 89 million. The second quarter of 2002 saw new losses of NOK 228 million and reversals of NOK 141 million.

Nordlandsbanken took over all the shares in Dåfjord Laks in the first quarter of 2003. The banking group participated in restructuring operations in cooperation with other creditors. In July, the creditors repossessed assets pledged as security, and Nordlandsbanken also took over Nordea's Dåfjord commitment. Due to price developments for salmon, new losses were recorded in the second quarter relating to Dåfjord and other fish-farming commitments.

Prior to Den norske Bank's acquisition of Nordlandsbanken, its loan portfolio was subject to a thorough review, resulting in a significant rise in specified loan-loss provisions. On the basis of new information concerning certain aspects of these commitments prior to the bank's takeover, the loan-loss provisions were adjusted upwards by NOK 164 million in the first quarter and by a further NOK 80 million in the second quarter.

Unspecified loan-loss provisions in the banking group's balance sheet were increased by NOK 204 million in connection with the acquisition of Nordlandsbanken. No changes were made in these provisions in the second quarter of the year.

Excluding Nordlandsbanken, problem commitments in the banking group, which comprise non-performing and doubtful commitments, totalled NOK 4.3 billion at end-June 2003, as against NOK 2.8 billion a year earlier. The increase stemmed largely from the fishing and fish farming industries. Net problem commitments in Nordlandsbanken stood at NOK 3.2 billion.

#### **Taxes**

In the second quarter of 2003, the Central Tax Office for Large Companies, which is responsible for the tax assessment of Den norske Bank ASA, informed the bank that it accepted adjustments in the tax assessment for the 1995 and 1996 financial years, which reduced the bank's tax charge by a total of around NOK 180 million. In consequence of the decision to adjust the tax assessment, the tax charge for the bank and the banking group for the second quarter of 2003 was reduced by a corresponding amount.

The matter concerned the distribution of debt interest in the taxation of the bank's Norwegian operations and its international branches. In 1997, the bank received approval for its interpretation of the rules concerning the distribution of taxes. The bank has later worked to ensure the full application of this interpretation for operations in all international branches also for the 1995 and 1996 financial years. By adjusting the tax assessment, the Central Tax Office has accepted this view.

#### **Assets**

At end-June 2003, total assets in the banking group were NOK 436 billion, following a NOK 23 billion increase for ordinary operations during the first six months of the year along with an additional NOK 29 billion referring to the acquisition of Nordlandsbanken.

Net lending rose by NOK 5.9 billion in the second quarter and by NOK 15.9 billion during the January through June period. In addition, the acquisition of Nordlandsbanken increased lending recorded in the balance sheet by NOK 24.2 billion. First-quarter lending growth represented NOK 8.7 billion in the retail market and NOK 7.2 billion in the corporate market. Lending growth in the retail market referred to residential mortgages, representing close to 45 per cent of the banking group's total lending at end-June 2003. Developments in the interest rate market increased the attractiveness of fixed-rate loans, which were up NOK 6 billion to 13 per cent of total residential mortgages, compared with 9 per cent at the beginning of the year.

Traditional bank deposits totalled NOK 216.7 billion, up NOK 10 billion from the beginning of the year. The acquisition of Nordlandsbanken gave an additional NOK 9.2 billion rise in deposits.

The ratio of deposits to lending was 66.8 per cent at end-June 2003, compared with 69.6 per cent at end-December 2002. The acquisition of Nordlandsbanken brought down the banking group's deposits-to-lending ratio by 2.5 percentage points.

#### Risk and capital adequacy

Den norske Bank recorded moderate lending growth in the second quarter of 2003, while overall credit quality was maintained largely unchanged from end-March 2003. Estimated annual normalised losses in the credit portfolio were 0.33 per cent of net lending at end-June, on a level with the figure at end-March 2003. Non-performing and doubtful commitments are not included in calculations of risk-adjusted capital. Loanloss provisions serve as a buffer against the uncertainty

concerning problem commitments. Developments in riskadjusted capital for credit must therefore be considered in light of changes in the volume of non-performing commitments and loan-loss provisions.

The decline in risk-adjusted capital for market risk stemmed from a reduction in equity investments following sales of shares in, e.g., BNbank and Nordstjernen. Den norske Bank's purchases and sales of shares in Gjensidige NOR for a total of NOK 1.2 billion took place within the quarter and thus did not affect the reported figures.

Liquidity risk was brought down by covering Nordlandsbanken's long-term funding requirement through long-term rather than short-term borrowing.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement totalled NOK 332.2 bilion at end-June 2003, an increase of NOK 12.8 billion since 31 March.

The banking group's core capital ratio was 6.9 per cent at end-June 2003, while the capital adequacy ratio was 9.8 per cent. Including 50 per cent of profits in the calculations would lift the ratios by around 0.2 percentage points. At the beginning of the year, the core capital and capital adequacy ratios were 8.1 and 10.6 per cent respectively. The main factor behind the decline was the acquisition of Nordlandsbanken, which brought down the ratios by 0.7 percentage points. The negative effect was due to volume growth and higher deductions from core capital in the form of goodwill and deferred tax assets relating to Nordlandsbanken's net loss for 2002.

Den norske Bank ASA had a core capital ratio of 7.5 per cent and a capital adequacy ratio of 10.5 per cent at end-June 2003. Including 50 per cent of profits in the calculations would lift the ratios to 7.7 and 10.7 per cent respectively.

#### Prospects for the rest of the year

After the end of the Iraq war, financial markets have become more optimistic. There are indications of an incipient economic upturn, though the situation remains uncertain. Prolonged productivity growth in the US combined with low interest rates and tax cuts support the more positive future prospects.

In Norway, economic growth has levelled off. Unemployment is rising, and several industries are experiencing problems. Slower growth in households' disposable income is expected to be a factor in dampening consumption growth this year relative to 2002. More sluggish income growth will restrain credit demand and deposit growth, albeit from a high level. The business sector is expected to see consolidation and improved earnings during the year.

The weak trend in the domestic economy has resulted in a far more expansionary monetary policy than earlier. Since December 2002, Norges Bank (the central bank of Norway) has reduced key interest rates by 3 percentage points, with further interest rate cuts expected in the second half of the year. The shift in monetary policy and belief in an international economic recovery from 2004 are expected to contribute to higher activity from the second half of the year. Falling interest rates provide a stimulus to the housing market and demand in general. Parallel to this, the interest rate decline has weakened the Norwegian krone and thus improved the situation for Norwegian export companies competing in international markets. Still, it could take some time for this to be reflected in corporate performance, and future prospects remain highly uncertain in a number of sectors.

The banking group keeps a close watch on general developments in the business community, and most particularly on the group's customers. The banking group is committed to improving credit quality and ensuring its interests in problem commitments, which will be given high priority in future.

#### **Business areas**

Nordlandsbanken was incorporated in the banking group as of 1 January 2003. The bank will continue to operate as a separate legal entity. During the second quarter of the year, operations in Nordlandsbanken were coordinated with the banking group's established business areas, and some activities were transferred to Den norske Bank. To allow for comparison, however, Nordlandsbanken is still reported as a separate business area. Figures for the business area Nordlandsbanken deviate somewhat from the bank's official accounts due to the transfer of business volumes and a different basis for accrual.

#### Corporate Banking

Pre-tax operating profits before losses came to NOK 1 461 million, as against NOK 1 511 million in the corresponding period the previous year. First-half performance reflected sound operations and stringent cost control, however losses were higher than in previous quarters. Profits for the first half of 2002 included large payments of interest in connection with the repayment of a non-performing commitment.

Corporate Banking follows a restrictive lending policy, and quality is given priority over growth. All new lending targets customer with low credit risk. Growth in lending and guarantees totalled NOK 7.3 billion for the January through June period of 2003, of which NOK 6 billion represented loans. In addition, the business area arranged syndicated loans and commercial paper and bond issues for a total of NOK 53.7 billion. Portfolio risk remains satisfactory, although risk has risen somewhat due to the challenges facing the Norwegian business community.

Deposits rose by NOK 0.6 billion from December 2002. Volatility in interest rate markets along with an increase in problem commitments made it difficult to maintain the level of net interest income. First-half performance reflected the low level of activity within corporate finance along with negative trends in values on some bond investments. Earnings on foreign exchange and interest rate products were up 30.3 per cent from the first half of 2002. Other operating income also showed a rise, primarily relating to higher guarantee commissions and increased income within payment and cash handling services.

Expenses were up a modest 0.6 per cent from the year-earlier period due to sound cost control. Net losses in the first half of the year came to NOK 655 million.

The fishing industry, and fish farming in particular, was troubled by weak profitability and low prices during the period, due among other things to overcapacity. Developments are being followed closely, and resources have been dedicated to monitor the sector and follow up high-risk commitments. The Norwegain export industry operated under difficult economic parameters in the first half of the year due to high interest levels and exchange rates. Although interest levels and NOK exchange rates declined during the first half of the year, sectors such as manufacturing, shipbuilding, building and construction and

commercial property still represent a challenge.

Customer satisfaction showed a positive trend, which substantiates Corporate Banking's aim to strengthen existing customer relationships while actively seeking new clients. These efforts have resulted in 2 500 new customers since December 2002. DnB Nettregnskap, an Internet accounting service which includes customers' payment transactions and other information relating to the accounts, was launched in June, and the first agreements with customers have already been signed.

#### **Retail Banking**

The business area showed satisfactory performance in the first half of 2003. Pre-tax operating profits before losses were NOK 586 million, an improvement of NOK 106 million from the corresponding period in 2002.

Postbanken launched a new concept in the first quarter, Postbanken Leve, a programme which provides customers with a deposit account, Postbanken Visa card, MasterCard, Internet banking and Telegiro. The product was very well received by both existing and new customers, and by end-June more than 60 000 agreements had been signed.

Growth in the electronic banking market continued, and the Internet banks had 599 000 active customers as at 30 June 2003. By the same date, around 180 000 of Retail Banking's Internet banking customers had accepted the bank's offer to receive notices such as account statements via e-mail, after the service became available to customers in Den norske Bank in the second quarter.

Good sales figures were achieved for the new investment product DnB Kompass, which was launched in the second quarter. The fund is managed by DnB Asset Management and is a low-risk product with a flexible investment profile which includes fixed-income funds, bonds and equity funds. Sales of Folkefondet, a corresponding product for Postbanken's customers, were initiated towards the end of June.

Net interest income rose by NOK 122 million from the first half of 2002 to the first half of this year, primarily due to expanding volumes. Lending growth stood at 9.5 per cent, referring mainly to well-secured housing loans. Lower interest levels boosted demand for fixed-interest loans by around 40 per cent in the first half of 2003 compared with the year-earlier period. A number of interest rate reductions have made it difficult to maintain deposit spreads.

Other operating income rose by 4.7 per cent compared with the first half of 2002. The increase referred primarily to payment services and the sale of guarantee-backed investment products. Income on the sale of equity funds was down from the first half of 2002.

The cost/income ratio was brought down from 79.2 per cent in the first half of 2002 to 76.3 per cent in the first half of 2003, stemming from restructuring and efficiency measures along with stringent cost control.

Loan losses were up NOK 31 million from the first half of 2002 to the corresponding period in 2003, but were still at a low level. The volume of problem commitments showed a minor increase in the second quarter, but remained at a satisfactory level at the end of the quarter.

Greater customer satisfaction is a priority for the business area in 2003. Key efforts in this connection involve the introduction of new routines for handling complaints, including shorter response time.

#### **DnB Markets**

DnB Markets achieved record profits in the first half due to increased turnover in most areas. Pre-tax operating profits were NOK 590 million, up NOK 112 million on the first half of last year.

The sharp decline in domestic interest rates during the first half of the year helped boost demand for interest rate hedging products and fixed-income securities. At the same time, the substantial decline in the value of the Norwegian krone led to increased demand for currency transactions. The positive trend in the stock market stimulated activity within equities broking.

Total income amounted to NOK 1 042 million in the first half of 2003, as against NOK 940 million in the year-earlier period. Income on customer trading rose by 18.8 per cent, while earnings from market making and other trading were 5.8 per cent lower than last year. An increase in performance-based costs was offset by a reduction in other expenses. Return on equity stood at 58 per cent and the cost/income ratio at 43 per cent.

Income on customer business amounted to NOK 756 million, a rise of NOK 120 million from the first half of 2002. Income on customer business in foreign exchange and interest rate derivatives was up NOK 69 million to NOK 365 million. Interest rate cuts implemented by Norges Bank, the Norwegian central bank, along with a weaker Norwegian krone resulted in record demand for foreign exchange and interest rate products. In June, DnB Markets launched a new service for currency trading on the Internet.

Customer-related revenues on the sale of securities and other investment products increased by NOK 59 million from the first half of last year to NOK 227 million in 2003. The decline in interest levels spurred demand for fixed-income securities. In the second quarter, DnB Markets launched new products including bank deposits backed by hedge funds and international equities trading on the Internet. This service covers 12 new stock exchanges in Europe and the US. Exchange-traded funds thus became available to customers.

Earnings on corporate finance services amounted to NOK 93 million, compared with NOK 97 million in the first half of 2002. Activity was brisk in the second quarter, especially for advisory services relating to mergers and acquisitions. There was also a high level of activity in arranging bond issues and syndicated loans.

Income on the sale of custodial services was NOK 71 million, compared with NOK 76 million in the first half of 2002. DnB Markets was selected agent for several new international remote access members of the Oslo Stock Exchange. There was an increase in activity within securities-backed loans.

Earnings from market making and other trading totalled NOK 245 million, down NOK 15 million from the corre-

sponding six-month period last year. Foreign exchange and fixed-income operations in Nordlandsbanken's Oslo office were integrated in DnB Markets as of 1 April 2003.

#### Nordlandsbanken

Operations taken over through the acquisition of Nordlands-banken contributed NOK 179 million to the banking group's pre-tax profits before losses in the first half of 2003. Profits are calculated for Nordlandsbanken's overall operations before integration with other business areas and the transfer of activities to Den norske Bank. Further, the figures are based on Den norske Bank's appraisal of values in the acquired operations and the principles for the presentation of business areas. Overall, these adjustments result in major deviations from Nordlandsbanken's own financial accounts.

Measures to realise cost synergies were pursued, including moving operations to common premises in Bodø, Tromsø, Mo and Sortland, establishing a joint infrastructure for banking operations in Nordland and centralising collateral functions and loan administration to Bodø. Efforts to implement Den norske Bank's credit policy and processes continued in the second quarter, and a review was made of potential problem commitments in the credit portfolio. However, uncertainty remains regarding estimated losses on the acquired portfolio. High priority was given to securing values, especially within fish farming. Nordlandsbanken acquired all the shares in the fishfarming and processing company Dåfjord Laks in the first quarter of the year, repossessed the pledged assets in the second quarter and took over Nordea's commitment in July.

Net interest income amounted to NOK 279 million, and the combined interest spread was 2.8 per cent for the January through June period. Other income came to NOK 89 million, while operating expenses amounted to NOK 189 million, giving a cost/income ratio of 51 per cent. The banking group's accounts for the first half of the year were charged with NOK 206 million in loan losses on Nordlandsbanken's portfolio. As at 30 June 2003, Nordlandsbanken's net problem commitments amounted to NOK 3.2 billion.

Average lending was NOK 24 billion in the first half, while average deposits came to NOK 9.1 billion. The ratio of lending to deposits was 38 per cent.

The market situation continues to represent strong challenges for some of Nordlandsbanken's customers. Price trends for salmon and the competitive situation in the Norwegian business community will have a pronounced impact on future developments.

Measures to realise further cost synergies will be implemented in the second half of the year, along with a strengthening of certain parts of Nordlandsbanken's organisation.

# Oslo/Bergen, 12 August 2003 The Board of Directors of Den norske Bank ASA

Jannik Lindbæk (chairman)

Junt Rindbel

Bent Pedersen (vice-chairman)

Svein Aaser

Ketil A. Stene Anne Carine Tanum

Per Hoffmann

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auna. Eyunoire Bye

Anna-Synnøve Bye

Torill Rambjør

# Profit and loss accounts

	Den norske Bank						
	2nd quarter	2nd quarter	1st half	1st half	Full year		
Amounts in NOK million	2003	2002	2003	2002	2002		
Interest income	6 082	6 135	12 876	12 147	24 953		
Interest expenses	4 012	3 956	8 639	7 986	16 444		
Net interest income and credit commissions	2 070	2 179	4 237	4 161	8 509		
Dividends	69	31	73	39	59		
Commissions and fees receivable	885	945	1 724	1 868	3 533		
Commissions and fees payable	336	389	679	748	1 409		
Net gain on foreign exchange and financial instruments	374	60	605	280	605		
Sundry ordinary operating income	202	189	377	339	669		
Gains on the sale of fixed assets	0	228	2	231	260		
Net other operating income	1 194	1 065	2 102	2 009	3 717		
Salaries and other ordinary personnel expenses	949	869	1 887	1 764	3 556		
Administrative expenses	567	573	1 144	1 144	2 218		
Depreciation	106	96	215	195	380		
Sundry ordinary operating expenses	305	323	576	615	1 118		
Other expenses	18	38	42	39	231		
Total operating expenses	1 945	1 899	3 864	3 757	7 502		
Pre-tax operating profit before losses	1 319	1 344	2 474	2 413	4 724		
Net losses/(reversals) on loans, guarantees etc. (note 3)	560	87	927	(39)	478		
Net gain/(loss) on long-term securities	188	(282)	188	(283)	(315)		
Pre-tax operating profit	948	975	1 735	2 170	3 932		
Taxes	65	227	270	525	980		
Profit for the period	882	748	1 465	1 645	2 953		
Earnings per share	1.13	0.96	1.88	2.11	3.79		
Average total assets	436 747	374 381	433 573	376 485	377 778		

# Balance sheets

		Den norske	•
Amounts in NOK million	30 June 2003	31 Dec. 2002	30 June 2002
Assets			
Cash and deposits with central banks	10 685	19 130	10 615
Lending to and deposits with credit institutions	31 374	20 161	22 958
Gross lending to customers (note 4)	330 147	288 161	288 082
- Specified loan-loss provisions	(3 522)	(1 796)	(1 623)
- Unspecified loan-loss provisions	(2 319)	(2 115)	(2 115)
Net lending to customers (note 4)	324 306	284 249	284 344
Repossessed assets	442	399	104
Commercial paper and bonds	38 373	33 823	34 602
Shareholdings etc.	2 862	2 700	3 197
Investments in associated companies	839	695	708
Intangible assets	1 494	886	431
Fixed assets	2 605	2 259	2 384
Other assets	19 251	16 816	13 891
Prepayments and accrued income	3 308	3 316	3 303
Total assets	435 538	384 436	376 538
Liabilities and equity			
Loans and deposits from credit institutions	52 457	49 083	39 456
Deposits from customers	216 700	197 795	203 200
Securities issued	102 166	74 875	72 063
Other liabilities	20 504	26 396	22 338
Accrued expenses and prepaid revenues	5 525	2 403	5 205
Provisions for commitments	1 397	1 391	1 345
Subordinated loan capital	13 266	10 502	9 741
Share capital	7 787	7 787	7 787
Share premium reserve	3 244	3 244	3 244
Equity reserves	11 028	10 961	10 515
Profit for the period	1 465	<u>-</u>	1 645
Total liabilities and equity	435 538	384 436	376 538
Guarantee commitments	39 791	40 110	31 977

# Profit and loss accounts

			Den norske Bank			
	2nd quarter	2nd quarter	1st half	1st half	Full year	
Amounts in NOK million	2003	2002	2003	2002	2002	
Interest expenses	5 332	5 899	11 257	11 679	23 852	
Interest income	3 646	3 974	7 815	8 026	16 501	
Net interest income and credit commissions	1 686	1 925	3 443	3 653	7 351	
Dividends	34	64	38	70	87	
Commissions and fees receivable	766	758	1 488	1 523	2 963	
Commissions and fees payable	304	325	608	645	1 240	
Net gain on foreign exchange and financial instruments	360	64	580	286	612	
Sundry ordinary operating income	75	83	163	157	371	
Gains on the sale of fixed assets	0	1	1	1	30	
Net other operating income	932	644	1 663	1 393	2 823	
Salaries and other ordinary personnel expenses	788	750	1 574	1 521	3 086	
Administrative expenses	502	519	1 001	1 022	2 015	
Depreciation	68	78	140	159	312	
Sundry ordinary operating expenses	248	262	465	499	945	
Other expenses	16	34	21	35	218	
Total operating expenses	1 623	1 643	3 202	3 236	6 575	
Pre-tax operating profit before losses	995	926	1 904	1 810	3 600	
Net losses on loans, guarantees etc. (note 3)	460	97	812	71	594	
Net gain/(loss) on long-term securities	156	(56)	156	(57)	(85)	
Pre-tax operating profit	691	773	1 248	1 682	2 920	
Taxes	(1)	193	144	421	765	
Profit for the period	692	580	1 105	1 262	2 156	
Earnings per share	0.89	0.74	1.42	1.62	2.77	
Average total assets	424 854	371 846	412 589	374 022	375 344	

# Balance sheets

			ske Bank ASA	
Amounts in NOK million	30 June 2003	31 Dec. 2002	30 June 2002	
Assets		2002	2002	
Cash and deposits with central banks	10 157	19 130	10 615	
Lending to and deposits with credit institutions	62 047	39 915	42 559	
Gross lending to customers (note 4)	284 701	265 009	265 008	
- Specified loan-loss provisions	(2 459)	(1 330)	(1 075)	
- Unspecified loan-loss provisions	(2 047)	(2 047)	(2 047)	
Net lending to customers (note 4)	280 195	261 632	261 885	
Repossessed assets	220	380	87	
Commercial paper and bonds	39 395	33 655	34 253	
Shareholdings etc.	2 307	2 320	2 801	
Investments in associated companies	237	189	220	
Investments in subsidiaries	4 132	2 307	2 263	
Intangible assets	403	658	190	
Fixed assets	1 941	1 998	2 131	
Other assets	17 894	16 604	13 756	
Prepayments and accrued income	2 869	3 279	3 236	
Total assets	421 797	382 066	373 996	
Liabilities and equity				
Loans and deposits from credit institutions	54 623	49 979	40 251	
Deposits from customers	209 279	198 469	204 412	
Securities issued	96 220	74 875	72 063	
Other liabilities	21 943	24 814	20 255	
Accrued expenses and prepaid revenues	4 921	2 209	4 912	
Provisions for commitments	1 279	1 352	1 263	
Subordinated loan capital	12 566	10 502	9 741	
Share capital	7 787	7 787	7 787	
Share premium reserve	3 244	3 244	3 244	
Equity reserves	8 831	8 837	8 808	
Profit for the period	1 105	-	1 262	
Total liabilities and equity	421 797	382 066	373 996	
Guarantee commitments	38 501	39 663	31 520	

### Note 1 - Accounting principles

The first-quarter accounts are based on Norwegian accounting legislation, the accounting regulations issued by the Norwegian Banking, Insurance and Securities Commission, and Norwegian generally accepted accounting principles. A more detailed description of the bank's accounting principles can be found in note 1 to the accounts in the annual report for 2002.

#### Note 2 - Acquisition of Nordlandsbanken

On the basis of an invitation extended by the Board of Directors in Nordlandsbanken at the end of 2002, DnB presented an offer to acquire all shares in Nordlandsbanken ASA. The offer price was NOK 35 per share, representing a total of NOK 1 050 million.

At the expiry of the extended offer period, on 17 January 2003, Den norske Bank had received acceptances which along with DnB's own holdings represented 96.35 per cent of the shares in Nordlandsbanken. DnB's conditions for acceptance were fulfilled on 21 February 2003, and the acquisition was implemented in accordance with the acceptances as of this date.

Minority shareholders were given an offer to redeem their shares in Nordlandsbanken as from 27 February 2003. The alternative would be mandatory transfer. As from the same date, all shares not previously acquired were transferred to Den norske Bank ASA.

On 21 February 2003, the Ministry of Finance approved the acquisition of Nordlandsbanken.

In the accounts, the acquisition of Nordlandsbanken is treated according to the purchase method. To establish a basis for the accounting treatment, an analysis was carried out to identify market values above or below book values in the acquired operations and allocate these to the appropriate balance sheet items. Nordlandsbanken's balance sheet as at 31 December 2002 was used to identify approximate values on the transaction date. Based on an assessment in the first quarter the market value of the loan portfolio turned out to be NOK 164 million lower than book value. A review in the second quarter identified an additional NOK 80 million difference between market value and book value in the loan portfolio relating to new information concerning certain aspects of these commitments prior to DnB's takeover. The market value of long-term shareholdings exceeded book value by NOK 15 million. The part of the acquisition cost exceeding recorded equity after value adjustments, costs relating to the acquisition and restructuring provisions are recorded as goodwill in the Group's balance sheet. Goodwill relating to the acquisition will be amortised over ten years based on an analysis of values in the acquired operations as well as the significance of operations for the Den norske Bank Group.

Amounts in NOK million	Den norske Bank Group
Acquisition cost	1 050
Recorded equity in acquired operations as at 31 December 2002	754
Value adjustments	(229)
Acquisition cost exceeding recorded equity	525
Costs relating to the acquisition	10
Restructuring provisions	76
Deferred taxes	85
Recorded goodwill in the balance sheet of the acquired operations	4
Goodwill in the DnB Group on the acquisition date	531
Annual amortisation	53

Nordlandsbanken's accounts for 2002 reflected the special circumstances leading up to the acquisition by Den norske Bank. Pro forma accounts for Den norske Bank including Nordlandsbanken will thus not provide an appropriate basis for evaluating Nordlandsbanken's impact on the Group's future accounts. Pro forma accounts for previous periods have therefore not been prepared.

In the formal accounts, Nordlandsbanken has been included as from 1 January 2003, which approximates the implementation date for the acquisition.

Note 3 - Net losses/(reversals) on loans, guarantees etc.

			Den	norske Bai	nk Group	
Amounts in NOK million	2nd quarter 2003	2nd quarter 2002	1st half 2003	1st half 2002	Full yea 2002	
Specification of net losses/(reversals)	2000	2002	2000	2002	2002	
Write-offs a)	46	48	298	73	22	
Increase in specified loan-loss provisions b)	163	91	220	133	18	
New specified loan-loss provisions <sup>b)</sup>	439	89	614	175	652	
Total new specified provisions	649	228	1 132	381	1 050	
Reassessed specified provisions b)	40	96	114	226	257	
Total specified provisions	609	133	1 018	155	799	
Recoveries on commitments previously written off c)	49	46	91	195	32	
Net losses/(reversals) on loans, guarantees etc. 1)	560	87	927	(39)	478	
Specification of changes						
Increase in/(reversals) on specified provisions b) minus d)	533	(3)	590	(138)	157	
+ Write-offs covered by specified provisions made in previous years d)	30	87	131	220	418	
+ Write-offs not covered by specified provisions made in previous years a)	46	48	297	73	224	
- Recoveries on commitments previously written off c)	49	46	91	195	32	
Net losses/(reversals) on loans, guarantees etc. 1)	560	87	927	(39)	478	
Of which net losses/(reversals) on guarantees	8	(6)	10	(16)	3.	
a)-d) Show connections and links between the items	0	(0)	10	(10)	0.	
			De	n norske B	Bank ASA	
	2nd quarter	2nd quarter	1st half	1st half	Full yea	
Amounts in NOK million	2003	2002	2003	2002	2002	
Specification of net losses/(reversals)						
Write-offs <sup>a)</sup>	34	45	271	66	205	
Increase in specified loan-loss provisions b)	21	77	80	100	114	
New specified loan-loss provisions b)	463	63	612	132	57	
Total new specified provisions	518	184	963	298	889	
Reassessed specified provisions b)	33	57	99	143	138	
Total specified provisions	485	127	863	156	75 <sup>-</sup>	
Recoveries on commitments previously written off c)	25	30	52	84	156	
Net losses on loans, guarantees etc. 1)	460	97	812	71	594	
Specification of changes						
Increase in/(reversals) on specified provisions b) minus d)	374	55	463	(18)	346	
+ Write-offs covered by specified provisions made in previous years <sup>d)</sup>	78	27	130	108	200	
			271	66	208	
+ Write-offs not covered by specified provisions made in previous years <sup>a)</sup>	34	45	211	00	200	
	34 25	45 30	52	84		
+ Write-offs not covered by specified provisions made in previous years <sup>a)</sup>					156 <b>59</b> 4	
Write-offs not covered by specified provisions made in previous years <sup>a)</sup> Recoveries on commitments previously written off <sup>c)</sup> Net losses on loans, guarantees etc. <sup>1)</sup>	25 <b>460</b>	30 <b>97</b>	52 <b>812</b>	84 <b>71</b>	156 <b>59</b> 4	
<ul> <li>Write-offs not covered by specified provisions made in previous years <sup>a)</sup></li> <li>Recoveries on commitments previously written off <sup>c)</sup></li> </ul>	25	30	52	84	156	

### Note 4 – Non-performing and doubtful commitments

Den norske	e Bank Grou	р			Den norske E	Bank ASA
30 June31 D			30 June	31 Dec.	30 June	
2002	2002	2003	Amounts in NOK million	2003	2002	2002
			Non-performing commitments			
2 889	3 162	7 681	Before specified provisions	4 986	2 513	2 118
1 611	1 707	4 891	After specified provisions	2 860	1 403	1 254
			Doubtful commitments			
1 028	1 339	3 445	Before specified provisions	2 085	1 048	761
624	873	2 610	After specified provisions	1 648	702	490

### Note 5 - Capital adequacy

Den norsl	κe Bank Groι	ıp			Den norske	Bank ASA
30 June31 2002	Dec.30 June 2002	2003	30 June Amounts in NOK million	31 Dec. 2003	30 June 2002	2002
23 481	23 262	22 829	Core capital	21 797	21 423	22 066
29 442	30 419	32 531	Primary capital	30 589	28 258	27 681
281 039	287 204	332 193	Risk-weighted volume (NOK billion)	290 047	262 590	256 519
266 273	271 415	310 352	- of which banking portfolio	268 818	247 291	242 332
14 767	15 789	21 841	- of which trading portfolio	21 229	15 299	14 187
8.4	8.1	6.9	Core capital ratio (per cent)	7.5	8.2	8.6
10.5	10.6	9.8	Capital adequacy ratio (per cent)	10.5	10.7	10.8

Note 6 - Profit and balance sheet trends

Profit and loss accounts				Dei	n norske Ba	ank Group
	2nd quarter	1st quarter			2nd quarter	1st quarter
Amounts in NOK million	2003	2003	2002	2002	2002	2002
Net interest income and credit commissions	2 070	2 166	2 200	2 148	2 179	1 982
Dividends	69	4	9	11	31	8
Commissions and fees receivable	885	839	843	822	945	922
Commissions and fees payable	336	343	309	352	389	359
Net gain on foreign exchange and financial instruments	374	231	241	84	60	219
Sundry ordinary operating income	202	175	165	165	189	150
Gains on the sale of fixed assets	0	1	28	1	228	3
Net other operating income	1 194	908	976	732	1 065	944
Salaries and other ordinary personnel expenses	949	938	890	902	869	895
Administrative expenses	567	577	563	510	573	571
Depreciation	106	109	87	97	96	99
Sundry ordinary operating expenses	305	271	263	240	323	292
Other expenses	18	24	142	49	38	1
Total operating expenses	1 945	1 919	1 947	1 798	1 899	1 858
Pre-tax operating profit before losses	1 319	1 155	1 229	1 082	1 344	1 069
Net losses/(reversals) on loans, guarantees etc.	560	367	363	154	87	(127)
Net gain/(loss) on long-term securities	188	(1)	(21)	(11)	(282)	(1)
Pre-tax operating profit	948	787	845	917	975	1 194
Taxes	65	205	192	273	227	297
Profit for the period	882	582	653	645	748	897
Earnings per share	1.13	0.75	0.84	0.83	0.96	1.15
Average total assets	436 747	430 399	380 157	377 985	374 381	378 589

Balance sheets				Den norske Bank Grou				
Amounts in NOK million	30 June 2003	31 March 2003	31 Dec. 2002	30 Sept. 2002	30 June 2002	31 March 2002		
Assets								
Cash and deposits with central banks	10 685	29 580	19 130	5 698	10 615	17 128		
Lending to and deposits with credit institutions	31 374	23 941	20 161	23 797	22 958	24 210		
Net lending to customers	324 306	318 436	284 249	285 554	284 344	281 061		
Repossessed assets	442	550	399	101	104	114		
Commercial paper and bonds	38 373	34 022	33 823	33 669	34 602	35 638		
Shareholdings etc.	2 862	3 131	2 700	2 810	3 197	3 639		
Investments in associated companies	839	757	695	731	708	728		
Other assets	26 657	22 953	23 278	22 123	20 009	16 477		
Total assets	435 538	433 369	384 436	374 483	376 538	378 995		
Liabilities and equity								
Loans and deposits from credit institutions	52 457	59 872	49 083	50 127	39 456	58 704		
Deposits from customers	216 700	210 708	197 795	190 889	203 200	192 211		
Securities issued	102 166	100 277	74 875	70 363	72 063	72 161		
Other liabilities	27 426	26 119	30 190	29 578	28 888	21 844		
Subordinated loan capital	13 266	13 794	10 502	9 685	9 741	11 572		
Equity reserves	23 523	22 599	21 992	23 842	23 191	22 503		
Total liabilities and equity	435 538	433 369	384 436	374 483	376 538	378 995		

### Note 6 - Profit and balance sheet trends (continued)

Profit and loss accounts	Den norske Bank						
Amounts in NOK million	2nd quarter 2003	1st quarter 2003	4th quarter 2002	3rd quarter 2002	2nd quarter 2002	1st quarter 2002	
Net interest income and credit commissions	1 686	1 757	1 939	1 760	1 925	1 728	
Dividends	34	4	13	4	64	6	
Commissions and fees receivable	766	722	730	709	758	766	
Commissions and fees payable	304	304	274	321	325	320	
Net gain on foreign exchange and financial instruments	360	220	242	84	64	222	
Sundry ordinary operating income	75	88	124	90	83	74	
Gains on the sale of fixed assets	0	1	28	1	1	1	
Net other operating income	932	731	863	567	644	749	
Salaries and other ordinary personnel expenses	788	785	762	802	750	771	
Administrative expenses	502	498	526	467	519	503	
Depreciation	68	72	72	81	78	81	
Sundry ordinary operating expenses	248	217	241	205	262	237	
Other expenses	16	6	143	40	34	1	
Total operating expenses	1 623	1 579	1 744	1 595	1 643	1 593	
Pre-tax operating profit before losses	995	909	1 058	732	926	884	
Net losses/(reversals) on loans, guarantees etc.	460	352	383	140	97	(26)	
Net gain/(loss) on long-term securities	156	0	(18)	(11)	(56)	(1)	
Pre-tax operating profit	691	558	657	581	773	909	
Taxes	(1)	145	173	171	193	227	
Profit for the period	692	413	484	410	580	682	
Earnings per share	0.89	0.53	0.62	0.53	0.74	0.88	
Average total assets	424 854	400 324	377 762	375 570	371 846	376 198	

Balance sheets	Den norske Ba					
Amounts in NOK million	30 June 2003	31 March 2003	31 Dec. 2002	30 Sept. 2002	30 June 2002	31 March 2002
Assets						
Cash and deposits with central banks	10 157	29 168	19 130	5 698	10 615	17 128
Lending to and deposits with credit institutions	62 047	43 987	39 915	43 284	42 559	44 533
Net lending to customers	280 195	270 777	261 632	263 178	261 885	258 046
Repossessed assets	220	218	380	81	87	101
Commercial paper and bonds	39 395	34 752	33 655	33 426	34 253	35 268
Shareholdings etc.	2 307	2 316	2 320	2 415	2 801	3 160
Investments in associated companies	237	188	189	220	220	220
Investments in subsidiaries	4 132	4 049	2 307	2 260	2 263	2 375
Other assets	23 106	20 217	22 539	21 445	19 313	15 601
Total assets	421 797	405 672	382 066	372 006	373 996	376 433
Liabilities and equity						
Loans and deposits from credit institutions	54 623	53 125	49 979	51 009	40 251	59 610
Deposits from customers	209 279	202 356	198 469	191 569	204 412	193 558
Securities issued	96 220	93 132	74 875	70 363	72 063	72 161
Other liabilities	28 143	23 690	28 375	27 862	26 430	19 005
Subordinated loan capital	12 566	13 094	10 502	9 685	9 741	11 572
Equity reserves	20 966	20 275	19 867	21 518	21 100	20 526
Total liabilities and equity	421 797	405 672	382 066	372 006	373 996	376 433

